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The management strategy of the municipality in the context of current development challenges Strategia zarządzania gminą w świetle aktualnych wyzwań rozwojowych

Abstract: *The article presents a discussion on the current situation of the municipalities, in the context of development. It highlights the key factors reflecting the needs and management capabilities of the municipality allowing for the formation of a rational functioning. It has been proposed to supplement the practical functioning of municipalities in the planning of the procedure, including a diagnosis of the current state and strategy, which ultimately enables management advantage. It presents the necessary changes in the management of the municipality in the context of coopetition enabling agreement with the competition. It discusses the related dilemmas and presents potential areas of cooperation.*

Keywords: municipality, development, management, strategy, coopetition

Streszczenie: *W artykule przedstawiono wyniki badań dotyczących aktualnej sytuacji gmin w świetle wyzwań rozwojowych. Wskazano główne czynniki przekładające się na potrzeby i możliwości zarządzania gminą, pozwalające na kształtowanie racjonalnego jej funkcjonowania. Zaproponowano uzupełnienie praktyki funkcjonowania gmin w zakresie planowania o działania, które docelowo umożliwią zarządzanie przewagą. Zaproponowano podejście biznesowe do planowania działalności gminy w części rozwojowej. Przedstawiono konieczne zmiany w zarządzaniu gminą w kontekście kooperacji. Omówiono związane z tym dylematy i przedstawiono potencjalne obszary współpracy.*

Słowa kluczowe: gmina, rozwój, zarządzanie, strategia, kooperacja

Introduction

Currently, local governments vary considerably in their (economic) status. This may be caused by a number of factors, although the key one seems to be the way local governments are managed.

The differences between local governments are influenced by many factors². One such factor is the per capita income. However, more income earned by a particular local government does not always imply a better economic situation of that government. Therefore, attention should be redirected from the notion of income to searching for ways to use the available resources efficiently. These ways are focused on management and are expected to help achieve the set goals highly

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² P. Bernat, *Tendencje i kierunki zarządzania gminą w świetle aktualnych wyzwań rozwojowych na podstawie analizy stanu samorządów*, [in:] *Spółeczne bezpieczeństwo*, R. Woźniak, T. Zaborowski (eds.), Poznań 2016, p. 184-195.

effectively. Hence the need to look for strategies that can help solve the problems identified using the resources available. One such strategy can be what is known as coopetition.

Economic, political and legal circumstances require local government managers to identify the most significant of their resources and to turn them into assets as the basis for their management advantage. It is, therefore, legitimate to claim that operating under the same circumstances and aware of the differences between local governments, local government managers should look for suggestions and solutions to allow them to stand out among other local governments perceived as competitors.

Local government management has over evolved over the years from administration to task-oriented management. Today, effective local government management must be based on management theories³ and draw upon the experience of other local government managers as well as profit-oriented organisations⁴. The timeframe matters too. Therefore, it is fundamental to local government management to be able to find a balance between the operation and development of a local government, and this leads to the question about an effective strategy.

Coopetition

In the public sphere, local governments look for ways to influence and strengthen their relations with others through various forms of targeted coopetition. These may include: a) public-public partnerships, b) public-social partnerships or c) private-public partnerships⁵, which help improve efficiency and provide financing. Hence it is necessary to be aware of the need for cooperation despite differences or even conflict between such cooperation and the local government's own goals⁶.

It is, however, debatable whether such cooperation should be based on the coopetition strategy as a standalone management solution or rather as part of a solution that is already available. The article "Coopetition strategies..." defends the claim that coopetition is neither an extension of the competition theory nor an extension of the theory of cooperation⁷. Coopetition understood as being common to cooperation and competition is yet to be organised in both theoretical terms (definition) and practical terms⁸, with clear guidelines or even procedures for action.

³ J. Boulton, P. Allen, *Complexity Perspective*, [in:] *Advanced strategic management. A multi-perspective approach*, Jenkins M., Abrosini V., Collier N. (eds.), Palgrave-Macmillan, New York 2007, p. 215-234.

⁴ P. Banaszyk, *Podstawowe dylematy strategiczne w zarządzaniu przedsiębiorstwem*, „Studia i Prace Kolegium Zarządzania i Finansów”, Zeszyty Naukowe SGH w Warszawie 2012, no. 116, p. 18-24.

⁵ M.M. Mariani, M. Kylänen, *The relevance of public-private partnerships in coopetition: empirical evidence from the tourism sector*, „International Journal of Business Environment” 2014, no. 6(1), p. 106-125.

⁶ P. Bernat, *Kształtowanie przestrzeni organizacyjnej w strategii horyzontalnej kooperacji*, „Zeszyty Naukowe Politechniki Śląskiej. Seria: Organizacja i Zarządzanie”, Wydawnictwo Politechniki Śląskiej, Gliwice 2017 (in edition).

⁷ G.B. Dagnino, F.Le Roy, S.Yami, W. Czakon, *Strategie kooperacji – nowa forma dynamiki międzyorganizacyjnej?*, „Przegląd Organizacji” 2008, no. 6, p. 3-7.

⁸ W. Czakon, *Power Asymmetries, Flexibility and the Propensity to Coopete: an Empirical Investigation of SMEs' Relationships with Franchisors*, „International Journal of Entrepreneurship and Small Business” 2009, no. 8(1), p. 44-60.

This has been researched much better in relation to businesses⁹. In the case of local governments, the way they operate must also be taken into account¹⁰.

Coopetition is, from a structural perspective, a network of the participants and the relations and interactions between one another and between themselves and the environment in which they operate. The network has a structure with 'knots' and relations, but it also has its specific nature, which leads to challenges in efficient relation management¹¹. At this point, an interesting approach to the problem of interactions between participants and the environment is proposed by the author of *Paradygmat relacji*¹², asking about how activities can be modified as a response to external factors that require interactions for the maintenance of relations resulting from network interdependencies.

A methodical approach is dictated by the purpose of the operation (of a local government), which is reflected in law and which eventually becomes an evolutionary approach. In such a case, the organisational structure and the necessary operating resources, as well as the methods for measuring and monitoring the deliverables are known¹³. What can be problematic, though, seen as both an advantage and a disadvantage, is the stable and well-organised structure that leads to interactional inertia, resulting in failure to adapt to the changes taking place in the environment. Similarly, an evolutionary approach requires sufficient time for adaptation and, in consequence, change as a result of the learning process. This may be an insufficient basis that allows for mere existence, or stagnation, but not for development. It is, therefore, reasonable to look for an effective strategy best suited to the nature of the entity concerned and that fits with the prevailing trends. Hence, in the debate over the current challenges, what comes to the foreground is the need for local government managers to redesign their strategies for long-term operational planning and prioritisation.

Priorities in management

Priorities in management are influenced not only by the trends prevailing in the entity's environment, but also by the entity's internal situation. There are local governments that make use of their advantages¹⁴. However, not all local governments have clearly identified and interpreted their competitive advantages. Therefore, it would be advisable to look into what is needed and what is available. The key to achieving competitive advantage is an analysis of the available resources,

⁹ A. Zakrzewska-Bielawska, *Rola kooperacji w podnoszeniu konkurencyjności przedsiębiorstw – benchmarki działań kooperacyjnych w praktyce firm high-tech*, Prace Naukowe UE we Wrocławiu nr 363, Wrocław 2014, p. 75-86.

¹⁰ H. Gawroński, *Zarządzanie strategiczne w samorządach*, Wolters Kluwer business, Warszawa 2010, p. 32-36.

¹¹ M. Mitreğa, *Zdolność sieciowa jako czynnik przewagi konkurencyjnej na rynku przedsiębiorstw*, Prace Naukowe Akademii Ekonomicznej w Katowicach, 2010, s. 237.

¹² E. Stańczyk-Hugiet, *Paradygmat relacji – czy to nowa jakość w zarządzaniu?*, „Studia i Prace Kolegium Zarządzania i Finansów”, Zeszyty Naukowe SGH w Warszawie 2012, no. 116, p. 163.

¹³ P. Bemat, *Strategia współpracy gmin w formie partnerstwa umożliwiającego rozwój*, „Finanse Komunalne” 2016, no. 9, p. 12-23.

¹⁴ P. Bemat, *Tendencje i kierunki zarządzania gminą...*, op. cit., p. 184-195.

which is the starting point for further work and which must be preceded by a ratio-based analysis of the situation¹⁵.

As a natural consequence of the analysis of needs and possibilities, it is necessary to develop a strategy. In the long term, it would be beneficial to perform a resource analysis of the local government as a consequence of its needs analysis and, subsequently, to investigate it within the context of the situation of a broader area (a district or a province). It would then be possible to use a SWOT analysis to define the directions for action and activities in a strategy for development based on the entity's identified strengths as a way to achieve competitive advantage.

One area of potential cooperation is spatial design. Spatial management is one of the key areas in the process of streamlining the operation of local governments and certainly the key aspect in spatial planning¹⁶. A local government's long-term spatial management policy is a source of information for potential investors, property developers, in planning their projects on the one hand and an indicator of the local government's care for the local community. This allows to reduce the risk of errors or conflicts¹⁷.

As the top priority for local governments nowadays should be the economy, it is necessary to find ways to support businesses. Within this context, measures such as providing land for business use and/or offering tax incentives are insufficient. As regards tax incentives, there are differences between local governments in the way such measures are designed. What matters is whether such a measure serves to encourage the start-up of new businesses or support the existing ones. The current trends is that the local government of a large area is more likely to offer the preparation of land for business use or various tax preferences than the local government of a small town.

Business support measures include¹⁸: a) business incubators or even pre-incubators, b) technology parks, c) business cluster, d) special economic zones, e) economic activity zones, as well as (a) advice for new or existing businesses, b) training and competitions, c) changes in education. Last but not least, cooperation can take place as part of certain organisations (such as associations or foundations) or with special-purpose institutions. Areas of such cooperation may include: a) specialist advice/consulting, b) business/local government partnerships or c) supporting businesses by providing loans on preferential terms.

However, the choice of measures to support businesses and/or spatial management processes should be based on an needs analysis and the local government's financing capacity. Both institutional measures for which local governments are responsible and partnerships with external entities are important, as long as they allow the local government to pursue their development objectives.

¹⁵ P. Bernat, Z. Kulas, *Model współpracy jednostek samorządu terytorialnego w formie partnerstwa na bazie strategii umożliwiającej rozwój w ujęciu indykatywno-degresywnym*, [in] *Licentia poetica zarządzania*, S. Trzcieliński, T. Zaborowski (eds.), Komisja Nauk Organizacji i Zarządzania PAN Poznań, Gorzów Wielkopolski 2014, p. 16-32.

¹⁶ Z. Lentowicz, *Potrafią dobrze wykorzystać atuty gminy. Ranking samorządów 2015*, „Rzeczpospolita”, 14.07.2015, p. S9. Legal basic –. Ustawa z 27 marca 2003 r. o planowaniu i zagospodarowaniu przestrzennym, Dz.U. 2003, nr 80, poz. 717 ze zm.

¹⁷ Ibidem.

¹⁸ P. Bernat, *Tendencje i kierunki zarządzania gminą...*, op. cit., p. 184-195.

The situation of local governments

The majority of communes spend a large part of their income on education and social assistance, as well as to pay the costs of operating the local government offices, which reduced the amount of income available for development significantly. If approx. a half of a commune's income is spent on education and social assistance and the commune's debt represents a third of its annual budget¹⁹, it is difficult to plan many projects for years ahead. In such cases, the commune needs access to various forms and sources of financing²⁰.

One of the key challenges faced by local governments (communes) nowadays is their preparation for the 2014-2020 EU financial perspective. Within this context, the provision of the local government's participation in the costs of their projects. The nature of the projects, i.e. what needs they address, is important too, particularly from the point of view of the local government's financing situation, including debt repayment, and access to new loans or even no such access at all.

An overview of projects undertaken by local governments in 2007-2013 indicates that some of the projects are not only unprofitable, but they also are a source of problems and costs more for the project owners. For this reason, the goals of local governments' projects and their feasibility are even more important than how they should be financed. The response is the adoption of a business approach²¹ to planning the local government's activities, particularly as regards to the area of development. Although there is no single definition of what is referred to as 'business model', it can generally be described as a system of interdependent activities that goes beyond the entity and extends outside its borders²².

The new EU financial perspective has clearly shifted from investment in infrastructure, employment or education to the development of entrepreneurship (enterprise) and innovation, energy efficiency improvements or public-private partnerships²³. The reduction in EU support for infrastructural projects has left many local governments (communes) with unresolved problems in this area. This shows the discrepancy between the efforts made by local governments to satisfy the very basic needs of their communities and the objectives set out in the new EU financial perspective.

At this point, a combination of a 'resource-based approach' and a 'position-based approach' can be useful. The resource-based approach looks at the internal situation of the entity. If it is assumed that the available resources are limited, the entity must look for ways to use the resources efficiently²⁴. However, the entity's internal situation is no guarantee of its overall success externally. The success of

¹⁹ *Budżet gminy i sprawozdania. Projekt budżetu gminy i WPF-u na 2015 r.*, <http://gmina.glucholazy.sisco.info/?id=5263>.

²⁰ P. Bernat, *Tendencje i kierunki zarządzania gminą...*, op. cit., p. 184-195.

²¹ I. Konieczna, *Rozwój koncepcji biznesowych*, „Studia i Prace Kolegium Zarządzania i Finansów”, Zeszyty Naukowe SGH w Warszawie 2012, no. 116, p. 105-117.

²² C. Zott, R. Amit, *Designing your future business model: An activity system perspective*, „Long Range Planning” 2010, no. 43, p. 216.

²³ *Nowa Perspektywa UE 2014-2020 – nowe możliwości dofinansowania dla przedsiębiorstw i samorządów*, http://www.pi.gov.pl/PARP/chapter_86197.asp?soid=82834FB47ED741F29CDE89FDA2D842B1 [dostęp: 30.03.2017].

²⁴ B. Czerniachowicz, *Zasoby przedsiębiorstwa jako czynnik kreowania przewagi konkurencyjnej*, 2009, p. 101-111, <http://janek.uek.krakow.pl/~kzzo/2.3.pdf>.

a project will normally require sufficient resources to meet the needs of external entities. In such a case, the choice of strategy should be based on the results of the needs of external entities as a way to assess the feasibility of [text missing in the source document] identified as a result of an attractiveness evaluation²⁵. This, in turn, requires an analysis of influence on and position in relation to external entities²⁶. The result of these activities should be what is known as 'reinforcement of relations', and this can be achieved either individually or in 'coopetition' with other entities. In consequence, local government management has become a challenge, as it requires the ability to reconcile the opposing expectations of operational stability and development.

Strategy management

An assessment of the entity's status and its strategy seen as a plan of action are the foundation for the entity's decision whether to undertake a project independently or as part of a coopetition approach. There is a tendency for local governments to undertake projects as part of which they can join efforts to address shared problems in areas such as transport, infrastructure or development.

Whatever the rationale behind the decision of competing entities to join efforts, what matters is the need to build trust²⁷. This trust-building process may be different in different cases, and the descriptions of the mechanics of the process include various levels of analyses and joint efforts. "For practical purposes, the trust building may go from very straightforward, interpersonal relations to the most abstract concepts such as organisations or state institutions"²⁸. This trust is a prerequisite for the feasibility of such joint efforts, but it is not easily available in a competitive environment, which is the main problem to be solved by the networked entities.

Implementing a strategy is one of the most challenging stages and one with many stumbling blocks to overcome²⁹. The implementation difficulties are not a result of the lack of ability to manage change effectively, but also a result of information barriers. The difficulties surrounding the implementation of a coopetition strategy may stem less from methodological differences than from the way information and activities are exchanged and from feedback that either strengthens or weakens the links and relations between the networked entities. In consequences, it is the solutions adopted by the entities and the practical aspects of their implementation, and not - as is commonly believed - the budget, which may be the key factors facilitating or hindering cooperation. In this case, the decisive factors are those related to organisation, not financing.

On the financing side, however, special-purpose funds can be the solution. Examples may include funds established by PIR (Polskie Inwestycje Rozwojowe

²⁵ P. Bernat, Z. Kulas, *Model współpracy jednostek samorządu terytorialnego...*, op. cit., p. 16-32.

²⁶ S. Castaldo, *Trust in market relationships*, Edward Elgar Publishing, Cheltenham, Northampton 2007, p. 236.

²⁷ K. Czernek, W. Czakon, *Trust-building processes in tourist coopetition: The case of a Polish region*, "Tourism Management" 2016, no.52 (1), p. 380-394.

²⁸ L. Jabłonowska, *Style komunikacyjne w budowaniu zaufania w organizacji*, "Studia i Prace Kolegium Zarządzania i Finansów", Zeszyty Naukowe SGH w Warszawie 2012, no. 116, p. 70-80.

²⁹ P. Wołczek, *Wdrażanie strategii jednym z najsłabszych ogniw zarządzania strategicznego*, "Studia i Prace Kolegium Zarządzania i Finansów", Zeszyty Naukowe SGH w Warszawie 2012, no. 116, p. 205-216.

S.A.) and BGK as a way to support certain sectors³⁰. Legislation, too, can be helpful. For example, the Urban Renewal Act³¹ requires local governments to undertake projects aimed at renewing depredated urban areas, but it also allows them to establish 'special urban renewal zones', where special measures, such as subsidies to pay for the renovation of old tenement houses, can be used.

The problems faced by some local governments (communes) can be solved through cooperation between communes with similar problems. Examples may include Integrated Territorial Investments (ITIs). These are tools for funding local government investment projects intended to solve problems faced by neighbouring towns as part of what is known as "functional areas that can be the driving force behind the development of regions"³². Other forms of cooperation involving local governments include partnerships, associations or unions of communes, where the concept of coopetition may be implemented.

The shift from administration to management leads to the conclusion that we may see an increase in the number of local governments entering into cooperation even for the purposes of individual projects. As a result, managers are faced with many problems to solve.

Summary

The present situation of local governments means that they have to look for ways to reconcile the need for day-to-day operation and the need for development. Due to the specific nature of the operation of local governments, it would be advisable, in the area of development, for these entities to adopt a task-management approach based on a strategy defining the directions for action and measures that respond to the growth potential identified and seen as a source of the entity's competitive advantage. This approach requires a strategy based on an assessment of the entity's situation.

As a large part of the tasks of local governments is imposed on them by law, local governments can only stand out among their "competitors" in the area of development. A plan of action in this area will normally require an assessment of the available resources. Also, the potential for growth will need to be identified and guidelines to be followed by the entity to be able to stand out and use its advantages to influence its environment must be defined. This, however, will require a revision of the management approach by moving away from administration towards task-based management.

The process of streamlining the operation of a local government can be helped by long-term planning based on a land use plan. In consequence, the local area development plan would serve as a signpost for the local people and businesses as regards the directions for local area development. This would be followed by the adoption of business support/enterprise-promoting measures as a way to further streamline the operation of the local government. This will require cooperation with other entities.

³⁰ A. Osiecki, *Nowe źródło kasy na projekty*, „Rzeczpospolita”, 13.06.2014, p. B9.

³¹ *Rewitalizacja w ręce samorządu*, „Rzeczpospolita”, 24.07.2015, p. C3.

³² *Ranking samorządów 2015*, „Rzeczpospolita”, 14.07.2015, p. S15.

Considering the status of Poland's preparations for applying for funds as part of the new EU financial perspective, a large part of the funds will probably come in 2017-2018. This means that local governments have little time to prepare, particularly to obtain the funds required for new projects. That is why it is important for such preparations to be included in a strategy based on an analysis of the needs and ways to respond to them within a set timeframe and/or through cooperation.

It, therefore, seems advisable to design new local government management strategies or update the existing ones taking into account the amount of time needed to implement these strategies and the possible limitations. In consequence, it can be concluded from the above discussion that local governments should redefine their management approaches by adopting measures that will allow them to respond to the developmental challenges they are faced with.

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